

Message Text

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ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-03 PRS-01 USIA-12 L-03 H-02 RSR-01 /169 W

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R 071800 Z JUN 73

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 7059

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS UNN

AMEMBASSY DUBLIN

USMISSION GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS UNN

AMEMBASSY ROME

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E. O. 11652 N/ A

TAGS: EFIN EEC

SUBJECT: EC JOINT MONETARY FLOAT: POSITION OF STERLING AND LIRA

1. LEADING COPENHAGEN DAILY, BERLINGSKE TIDENDE, ON JUNE 4
PUBLISHED AN INTERVIEW WITH FONECONMIN NORGAARD IN LUXEMBOURG
(WHERE HE AT EC COUNCIL MEETING) TO EFFECT THAT STERLING AND
LIRA WILL JOIN EC FLOAT BEFORE MTN ENTERS " SERIOUS" PHASE.
IMPLICATION WAS THAT THESE STEPS MIGHT BE TAKEN BEFORE YEAR' S
END AND THAT NORGAARD' S INFORMATION MAY HAVE BEEN BASED ON
DISCUSSIONS HE HAD WITH UK MARKETS MINISTER JOHN DAVIES LAST
WEEK IN LONDON.

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2. WE DISCUSSED PRESS REPORT WITH NORGAARD' S NO.2 MAN, UNDER SECRETARY JENS CHRISTENSEN, WHO AT FIRST SAID THERE WAS NO SUBSTANCE TO REPORT AND THEN PROCEEDED TO STATE HIS " PERSONAL VIEW" THAT STERLING, FOLLOWED BY LIRA, WILL PROBABLY BE ALIGNED TO OTHER EC CURRENCIES " AROUND CHRISTMAN". HIS REASONING WAS AS FOLLOWS: UK WILL HAVE ELECTIONS WITHIN 18 MONTHS AND PRESENT GOVERNMENT NEEDS SOMETHING TO SHOW FAVORABLE RESULTS OF EC ENTRY. THIS WOULD BE REGIONAL POLICY BENEFITING BRITAIN. IT CAN OBTAIN REGIONAL BENEFITS ONLY IF IT PLAYS EC GAME ON MONETARY SIDE. IT CAN DO THIS ONLY IF IT HAS ASSURANCES OF ADEQUATE POOLED RESERVE FUNDS TO BOLSTER STERLING. PUTTING ALL THESE TOGETHER, CHRISTENSEN SEES DEAL IN THE MAKING BY YEAR' S END WOULD PROVIDE EC BACKING FOR STERLING, ENTRY OF STERLING INTO THE EC SNAKE (POSSIBLY ONE WITH WIDER BAND) AND, OF COURSE, REGIONAL DEVELOPMENT FUNDS FOR BRITAIN. LIRA WOULD FOLLOW UNDER SIMILAR DEAL.

3. EMBASSY COMMENT. CHRISTENSEN IS NOT GIVEN TO PERSONAL SPECULATION WITHOUT A BASIS. WE ASSUME ABOVE SCENERIO WAS DISCUSSED IN NORGAARD/ DAVIESS MEETING LAST WEEK AND THAT NORGAARD JUST SAID MORE TO PRESS THAN HE SHOULD HAVE.
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*** Current Classification *** LIMITED OFFICIAL USE

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30 JUN 2005

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To: BONN
BRUSSELS
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EC BRUSSELS
EUR
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